

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS AND LABOR**

**Call to Order:** By **CHAIRMAN JOE MCKENNEY**, on March 7, 2001 at 8:00 A.M., in Room 172 Capitol.

#### **ROLL CALL**

##### **Members Present:**

Rep. Joe McKenney, Chairman (R)  
Rep. Rod Bitney, Vice Chairman (R)  
Rep. Gary Matthews, Vice Chairman (D)  
Rep. Sylvia Bookout-Reinicke (R)  
Rep. Roy Brown (R)  
Rep. Nancy Fritz (D)  
Rep. Dave Gallik (D)  
Rep. Kathleen Galvin-Halcro (D)  
Rep. Dennis Himmelberger (R)  
Rep. Carol C. Juneau (D)  
Rep. Jim Keane (D)  
Rep. Rick Laible (R)  
Rep. Bob Lawson (R)  
Rep. John Musgrove (D)  
Rep. William Price (R)  
Rep. Allen Rome (R)  
Rep. Donald Steinbeisser (R)  
Rep. Brett Tramelli (D)  
Rep. James Whitaker (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Gordon Higgins, Legislative Branch  
Jane Nofsinger, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

##### **Committee Business Summary:**

Hearing(s) & Date(s) Posted: SB268, SB357, SB330; 3/5/01  
Executive Action: SB383, SB23, SB268

**HEARING ON SB268**

**Sponsor:** SEN. DON. HARGROVE, SD16, GALLATIN

**Proponents:** David O'Connor, Buck's Best Western, Big Sky  
Charles Bowles, Big Sky Chamber of Commerce  
Scott Johnson, Big Easy Lodge  
Rene Schumacher, Big Sky Conoco,  
Big Sky Chamber of Commerce  
John Holtzman, resident of Big Sky  
Mona Jamison, Big Sky Chamber of Commerce  
Steve Vick, HD31, Big Sky & West Yellowstone  
Matthew Coen, Travel Montana

**Opponents:** None

**Opening Statement by Sponsor:**

SEN. DON HARGROVE, SD16, GALLATIN COUNTY, said this bill was about the bed tax. He explained that a portion of the bed tax was used to provide promotional dollars for Montana's tourism industry. He said this bill includes entities which didn't exist or have passed the threshold. He said the bill is about entities. Such as Big Sky, which can't be a municipality, but can collect a tourism tax.

***{Tape : 1; Side : A; Approx. Time Counter : 6}***

**Proponents' Testimony:**

Mr. O'Connor said this bill would allow Big Sky to receive tourism funds. He said 22 ½% of the bed tax is allocated to tourism. If the entity reaches a certain level of revenue, they are eligible to receive 50% of the 22 ½% back. He said today nine cities qualify for a Convention and Visitor's Bureau. He said Big Sky Resort Area raises enough to qualify, and was the 3<sup>rd</sup> most collected of any area in the state. He said the formation of a CVB in Big Sky is the next step.

Ms. Bowles said growth in Big Sky has been tremendous which has in turn created jobs and boosted tourism. He said they have had 250 building permits for a total value of \$72 million. She said their area wants to expand into working with more conventions and large groups. She said they want to have the ability to market towards specific groups and compete with Utah, Colorado and Canada.

**Mr. Johnson** said Big Sky proves how a healthy resort area can benefit a region as a whole. He noted that, especially in air service, they have obtained a greater commitment from airlines, which have offered more flights and seats. He explained that Gallatin County businesses advertised the Big Sky resort area as a reason to come to Southwest Montana. **EXHIBIT (buh52a01)**  
**EXHIBIT (buh52a02)** **EXHIBIT (buh52a03)**

*{Tape : 1; Side : A; Approx. Time Counter : 17.9}*

**Mr. Schumacher** said he appreciated Travel Montana's efforts, but he felt that Big Sky contributed a big chunk of the bed tax. He said he only thought he it would be fair to get some back.

**Mr. Holtzman** said the committee should recognize Big Sky in the context of a residential, educational, cultural and social area. He said that although his area was not incorporated, it was home to several thousand people. He said he had been coming to Gallatin County for over 35 years, and he and his wife had decided to retire there. He said Big Sky has two newspapers, churches, clinics, fire department, community library, a K-8 school, adult education classes, two banks and a Big Brother Big Sisters program. He said there are also more and more visitors who leave their dollars there and in other the nearby communities of Red Lodge and West Yellowstone, which also support the bill. "Big Sky is an area which is a foundation of strength for Montana," he concluded.

**Mr. Shea** also asked the committee to support SB268. He said the fact the bed tax was enacted under the Department of Commerce as an economic development should not be forgotten. The growth of building permits and construction trades in areas of tourism should be recognized, he said. He said increased air service is largely due to tourism in the Gallatin County area. He noted that Big Sky easily collects enough bed tax to qualify for the CVB allocation of funds. He said although Big Sky is not incorporated, it is an easily defined area, and had an active Chamber of Commerce. "It is only fair to recognize Resort Areas such as Big Sky as eligible for CVB funding," he added. "This will be good for Montana's continued economic development," he emphasized.

**Ms. Jamison** said when business thrives in Big Sky it is good for Montana. "I believe Big Sky is a gem," she said. She said that Big Sky is a recognized governance entity recognized by the State of Montana. She noted that from 1998-2000 Big Sky collected \$1.8 million in bed tax and received only \$14,000 back. "If this statute had been in effect, Big Sky would have received \$196,000." she explained. She noted that Big Sky is third in

collections compared to the other cities which qualified for CVB funds. She reminded the committee of the major influence Big Sky has on air transportation in Montana.

**{Tape : 1; Side : B; Approx. Time Counter : 0}**

**REP. VICK, HD31, WEST YELLOWSTONE, BIG SKY, and the SOUTHERN PORTION OF BELGRADE**, told the committee if they haven't been to Big Sky in a while, they need to go there. "It has changed dramatically over the years, and it's wonderful to visit," he said. He added he would like to carry this bill on the floor.

**Opponents' Testimony:** None

**Informational Witness:**

**Matthew Coen, Travel Montana**, said he was available to answer questions.

**{Tape : 1; Side : B; Approx. Time Counter : 4.5}**

**Questions from Committee Members and Responses:**

**REP. LAWSON** asked **Mr. Coen** to move the scenario they had just heard up to the fabulous Flathead, especially Whitefish and Big Mountain. He asked how this bill would apply there. **Mr. Coen** said that potentially there was enough lodging and rentals so the Big Mountain area could qualify for funds as a Resort Area District.

**REP. LAWSON** said Big Mountain collects the tax now, and asked how long before it gets paid. **Mr. Coen** said Red Lodge is next and is 25% below the threshold with 1000 hotel rooms now.

**REP. LAIBLE** asked about the current system. **Mr. Coen** said out of every dollar, 22 ½% is set aside, then they get ½ of that back or 12 1/4 cents.

**REP. PRICE** asked for a definition of Resort Area and Resort Districts. **Ms. Jamison** said in 1991 the legislature passed a resort tax statute. The area had to prove their primary source of income was from tourism, she said. In 1997, she added, a resort area district statute was passed which allows a resort area, which is recognized and established by the Department of Commerce, if it so chooses to set up its own government. The district sets up a board which collects and distributes the resort area tax. She answered the question as to who gets less if Big Sky gets more by saying Yellowstone Country would get less. She noted that Yellowstone Country had chosen not to be an opponent of the bill and were not present today.

**REP. GALLIK** asked **Ms. Jamison** how many communities have a resort tax. **Ms. Jamison** replied that the communities of Whitefish, West Yellowstone, Red Lodge, Virginia City, St. Regis and Big Sky have the resort area tax. She added they can only become a Resort Area when registered voters in that area approve it at the ballot box.

**Mr. Coen** presented a handout to the committee which explained the "countries" and the resort area tax distribution.

**EXHIBIT (buh52a04) EXHIBIT (buh52a05)**

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**Closing by Sponsor:**

**SEN. HARGROVE** said tourism is the second largest industry in Montana. He added there is a relationship between tourism, high-tech industry and air travel. He called the bill a logical evolution.

**HEARING ON SB357**

**Sponsor:** **SEN. DON RYAN, SD22, GREAT FALLS**

**Proponents:** **Claudia Clifford, State Auditor**  
**Al Pontrelli, Montana Assn. of Insurers and**  
**Financial Advisors**

**Opponents:** None

**Opening Statement by Sponsor:**

**SEN. DON RYAN, SD22, GREAT FALLS,** told the committee the bill was about viatical insurance which is the purchase of death benefits from life insurance policies. He said the bill adds some protection for consumers such as requiring disclosure forms to be signed, and stating that the owner of the viatical policy will receive no money until the owner of the life insurance policy dies. **EXHIBIT (buh52a06)**

**Proponents' Testimony:**

**Ms. Clifford** presented written materials and testimony.

**EXHIBIT (buh52a07) EXHIBIT (buh52a08) EXHIBIT (buh52a09)** She explained this new form of re-selling life insurance came about

from terminally ill patients such as AIDs patients selling their life insurance policies prior to their death so they could receive some income from the policy and help them cover expenses at the end of their life. She said notice is required that no money will be received until the policy holder dies. She said it must also be explained that the policy is not an annuity and the party may be responsible for the premiums. She added the AARP was in support on the bill.

**Mr. Pontrelli** said he supported the bill and agreed with the amendment offered by **Ms. Clifford**. He said there is an opportunity for mischief when these policies are sold and the purchasers do not provide disclosures.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**REP. LAIBLE** asked how the viatical insurance worked. **Ms. Clifford** said the policy may not be paid in full so the purchasers should understand they may still be responsible for payment. She said there are a variety of arrangements and the sale may involve a third party broker. Sometimes a number of investors buy the benefit, and the policy can be term or whole life, she said.

**REP. GALVIN-HALCRO** asked if the policy might be worth nothing because loans had been taken against it. **Ms. Clifford** said that was a good question and that might need to be added to the bill.

**REP. JUNEAU** asked who could sell the policy. **Ms. Clifford** said the policy holder controls the sale.

**REP. LAIBLE** asked if the ones being taken advantage of are the ones who have the policy. **Mr. Pontrelli** said there is no requirement on how much can be paid. He noted most of these companies are in Florida. He said if a policy has a \$250,000 benefit, then the policy holder might be offered \$40,000. He added a whoever controlled the policy controlled the beneficiary. He said a beneficiary could be made irrevocable.

**Closing by Sponsor:**

**SEN. RYAN** said the main thing this bill adds is the disclosure form for the protection of the purchaser. He added if there were other things to be done to this type of transaction, this was not the vehicle. "I'm putting this bill in your hands," he said.

**REP. MUSGROVE** will carry the bill if it makes it to the floor," he said.

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**HEARING ON SB330**

**Sponsor:** SEN. DALE MAHLUM, SD35, MISSOULA

**Proponents:** Brenda Elias, State Auditor's Office

**Opponents:** Brad Griffin, Montana Retail Assn.

**Opening Statement by Sponsor:**

SEN. DALE MAHLUM, SD35, MISSOULA, said this is a consumer protection bill which makes relatively minor changes to pyramid plans. He explained that eventually a pyramid plan runs out of people to recruit. He said this is when it collapses and people lose money.

**Proponents' Testimony:**

Ms. Elias said this bill was requested by the State Auditor. She presented written testimony clarifying the three sections of the bill.

**Opponents' Testimony:**

Mr. Griffin said, even though people use social security numbers for many things, even to check out a movie, people still object to providing this information. He presented a letter from Alticor, parent company of Amway and Quixtar, objecting to the use of this information. He said they believed if the company was a sham, it would be providing false information anyway. He asked the committee to remove the use of social security numbers from the bill. **EXHIBIT**(buh52a10)

**Questions from Committee Members and Responses:**

REP. GALLIK asked Ms. Elias if the State Auditor asked for social security numbers from other people. Ms. Elias said they ask for them from insurance and securities people. She said the multi-level marketing people are required a significantly less amount of information. She noted insurance and securities people have to supply information such as weight, height, hair color, eye color, address and phone. She explained that individuals in the multi-level marketing do not have to provide the social security

number, only the principals of the firms have to, and they are out-of-state.

**REP. WHITAKER** asked how they tracked down out-of-state people.

**Ms. Elias** said the social security number was an important way to track them, but they used investigators and various means such as the internet and other agencies. **REP. WHITAKER** asked if they needed a home address. **Ms. Elias** said that had originally been included but was amended out on the Senate side because they felt the social security number was enough. **REP. WHITAKER** asked if she would object to having it put back in. **Ms. Elias** said she would not because it would be quite helpful. **REP. WHITAKER** asked why 1.19-20 on page 2 was stricken. **Ms. Elias** said some firms which operate as a pyramid scheme, act like they offer a product or a service, but it is not really a part of their program. She said the point is to recruit individuals, and the only way to make money is to recruit people, not sell products. She stated that often these companies print up brochures and have web pages which appear to have products, but after looking at the program, it is apparent the products are not the purpose.

**REP. BROWN** asked if the filing was a matter of public record. **Ms. Elias** said it was, but the social security number was redacted before the information was given out.

**REP. ROME** asked **Ms. Elias** if the companies had federal identification numbers. **Ms. Elias** said probably but the purpose of the social security number is so they can hold them responsible and if they need to find them they can. She said the federal identification number was more for company purposes than individual.

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**REP. LAIBLE** asked **Mr. Griffin** if Amway distributors would be required to give social security numbers. **Mr. Griffin** said no. He added that Amway's primary purpose is to sell products, not to recruit people.

**Closing by Sponsor:**

**SEN. MAHLUM** said this bill says pyramid schemes are illegal, and tells the promoters of these schemes to get out of Montana, the state does not want them.



**EXECUTIVE ACTION ON SB268**

**Motion/Vote:** REP. BOOKOUT-REINICKE moved that SB268 BE CONCURRED IN. Motion carried unanimously. 19-0.

**EXECUTIVE ACTION ON SB383**

REP. BROWN said the regulations required by this bill were over and above the existing electrical code.

REP. LAIBLE said he was in opposition to the bill because it put standards into statute. He said this bill is the wrong vehicle for what it is trying to accomplish.

REP. MUSGROVE said he concurred with REP. LAIBLE and that the solution should be directed to the inspection process.

REP. BITNEY said it was a Billings problem and an inspection problem. He said Romex was not an inferior product and was used in virtually 100% of the homes. He stated that this bill would add 50% to the cost of electrical work on commercial construction. He said because of that it would discourage economic development in Montana.

**Motion/Vote:** REP. BROWN moved that SB383 BE CONCURRED IN. Motion failed 6-13 with Fritz, Galvin-Halcro, Keane, Lawson, and Matthews, and Tramelli voting aye. 6-13.

**Motion/Vote:** REP. WHITAKER moved that SB383 BE TABLED. Motion carried 13-6 with Fritz, Galvin-Halcro, Keane, Lawson, Matthews, and Tramelli voting no. 13-6.

**EXECUTIVE ACTION ON SB23**

**Motion/Vote:** REP. GALLIK moved that SB23 BE AMENDED. Motion carried unanimously.

**Vote:** Motion that SB23 BE CONCURRED IN AS AMENDED carried unanimously.

**ADJOURNMENT**

Adjournment: 10:32 A.M.

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REP. JOE MCKENNEY, Chairman

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JANE NOFSINGER, Secretary

JM/JN

**EXHIBIT** (buh52aad)